

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

NIC-01 BIB-01 OMB-01 TRSE-00 STR-01 AGR-05 SAJ-01

CIEP-01 ACDA-05 FEA-01 OES-03 INT-05 /088 W

----- 082639

R 181426Z FEB 75

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC 1752

IMOO RUEHDC/USDOC

AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

AMCONSUL MUNICH

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VIENNA FOR EWTC

E.O. 11652: N/A

TAGS: EEWT ECON COMECON PFOR RO

SUBJ: ROMANIAN FOREIGN TRADE CONFERENCE

REF: (A) STATE 030246 (B) BUCH 523

1. SUMMARY: ROMANIAN AMBASSADORS AND COMMERCIAL COUNSELORS
GATHERED IN BUCHAREST WEEK OF FEBRUARY 10 FOR MEETINGS WITH
OTHER GOR OFFICIALS DIRECTLY OR INDIRECTLY ENGAGED IN FOREIGN
TRADE. PURPOSE WAS TO REVIEW FIRST FOUR YEARS OF 1971-75
ECONOMIC PLAN, GENERATE REDOUBLED EFFORTS FOR FINAL, DECISIVE
YEAR, AND CONSIDER IMPLICATIONS FOR ROMANIA OF INTERNATIONAL
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ECONOMIC SITUATION. CEAUSESCU RESTATED ROMANIA'S INDEPENDENT
APPROACH TO CEMA RELATIONS, WITH STRESS ON ROMANIAN ECONOMIC
AUTONOMY, REJECTING ANY AMENDMENT OF CEMA CHARTER OR PROVISIONS
OF COMPREHENSIVE PROGRAM. EXISTING PROVISIONS SHOULD REMAIN

VALID, HE SAID, " DURING NEXT FIVE YEAR PLAN PERIOD AND FOR A LONG TIME AFTER THAT." CEAUSESCU CALLED FOR MORE RAPID EXPANSION OF TRADE WITH SOCIALIST COUNTRIES, WHICH HAS LAGGED WELL BEHIND OVERALL PACE, BUT SET NO SPECIFIC GOALS. HE SAW GOOD PROSPECTS FOR CONTINUED DEVELOPMENT OF ECONOMIC RELATIONS WITH US. SOLUTION OF "GENERAL PROBLEMS" TRANTING OF MFN, AND "APPROPRIATE UNDERSTANDINGS OF MUTUAL ADVANTAGE" WOULD HELP CREATE A "MORE PROPITIOUS CONTEXT" FOR THE DEVELOPMENT OF THESE RELATIONS, HE SAID. END SUMMARY.

2. LAST WEEK'S CONFERENCE MOST CLOSELY RESEMBLED FEBRUARY 1971 GATHERING OF FOREIGN TRADE OFFICIALS, FOR WHICH AMBASSADORS WERE ALSO RECALLED. LIKE 1971 CONFERENCE, RECENT MEETING WAS INTENDED TO BRING PARTICIPANTS UP TO DATE ON PAST ECONOMIC ACHIEVEMENTS AND POLICY AND MAKE SURE THEY WERE FAMILIAR WITH TASKS REMAINING TO BE DONE. CURRENT MEETING COMES AT MORE CRUCIAL TIME THAN LAST, WITH 1971-75 FIVE YEAR PLAN, IN WHICH FOREIGN TRADE PLAYS IMPORTANT ROLE, DRAWING TO A CONCLUSION THIS YEAR. FOREIGN TRADE BUREAUCRACY WAS BROUGHT TO VIRTUAL STANDSTILL LAST WEEK BY MEETINGS AND WE NOTICE PARALYSIS APPEARS TO HAVE CONTINUED INTO THIS WEEK.

3. CONFERENCE CLOSED WITH CUSTOMARY CEAUSESCU SPEECH, WHICH WAS IF ANYTHING SOMEWHAT MORE INDEPENDENT TOWARD CEMA IN TONE THAN 1971 STATEMENT. CEAUSESCU LAID OUT STATISTICS SHOWING SIGNIFICANT DECLINE IN USSR'S AND CEMA'S SHARE OF ROMANIAN FOREIGN TRADE. WHILE TOTAL FOREIGN TRADE GREW AT AVERAGE ANNUAL RATE OF 21.5 PERCENT OVER LAST FOUR YEARS, TRADE WITH SOCIALIST COUNTRIES AS A GROUP EXPANDED ONLY 13 PERCENT ANNUALLY. THIS AVERAGE INCLUDES NON-CEMA SOCIALIST COUNTRIES WHOSE TRADE GREW MUCH FASTER IN 1971-74 (FIGURES REPRESENT TOTAL FOUR-YEAR INCREASE); YUGOSLAVIA, 194 PERCENT; NORTH KOREA, 183 PERCENT; ALBANIA 175 PERCENT; AND CHINA, 116 PERCENT. USSR IS STILL ROMANIA'S LEADING TRADE PARTNER, BUT ITS SHARE OF ROMANIA'S TOTAL TWO-WAY TRADE IS DOWN TO 20 PERCENT (COMPARED TO 39 PERCENT IN 1965, 27 PERCENT IN 1970). CEAUSESCU DREW ATTENTION TO THE NEED TO INCREASE TRADE WITH THE SOCIALIST COUNTRIES MORE RAPIDLY IN COMING YEARS BUT LIMITED OFFICIAL USE
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HE SET NO GOALS, LAUNCHING INSTEAD INTO AN EXPOSITION OF ROMANIA'S APPROACH TO CEMA. CEAUSESCU IMPLICITLY REJECTED ANY SIGNIFICANT CHANGE IN THE CEMA CHARTER, MAINTAINING THAT THE PROVISIONS OF THE CHARTER AND THE CEMA COMPREHENSIVE PROGRAM SHOULD REMAIN VALID "DURING THE NEXT FIVE YEAR PLAN AND FOR A LONG TIME AFTER THAT." AS SEEN THROUGH HIS EYES, THESE PROVISIONS ENSURE EACH COUNTRY'S ECONOMIC AUTONOMY AND "THE GROWTH IN IMPORTANCE OF EACH COUNTRY'S NATIONAL ECONOMIC PLANNING." GRASPING THE NETTLE, CEAUSESCU IDENTIFIED THE SENSITIVE ISSUES OF RAW MATERIALS SUPPLY, PRICING, AND SPECIALIZATION IN PRODUCTION AS PROBLEMS OF "DECISIVE IMPORTANCE" TO CEMA WHERE IMPROVEMENTS NEED TO BE MADE. NOTING THAT THE EFFECT

OF THE WORLD ECONOMIC CRISIS CANNOT BE EXPECTED TO STOP AT THE BORDERS OF THE SOCIALIST COUNTRIES, CEAUSESCU SAID INTERNATIONAL ECONOMIC RELATIONS MUST BE PUT ON A NEW, MORE EQUITABLE BASIS TO RECTIFY THE SITUATION. CEMA'S DUTY IS TO SERVE AS THE MODEL FOR THIS NEW ECONOMIC ORDER, HE SAID.

4. AS A MEANS OF CURBING WIDE PRICE FLUCTUATIONS, CEAUSESCU SUGGESTED--FOR THE FIRST TIME, TO OUR KNOWLEDGE--CREATION OF AN "INTERNATIONAL SYSTEM" TO HOLD PRICES OF RAW MATERIALS, SHIPPING, BASIC INDUSTRIAL PRODUCTS AND AGRICULTURAL GOODS AT "SCIENTIFICALLY DETERMINED" LEVELS FOR SEVERAL YEARS AT A TIME. HE URGED THE CREATION OF AN "INTERNATIONAL ORGAN" IN WHICH ALL INTERESTED COUNTRIES COULD PARTICIPATE, TO STUDY THIS PROBLEM AND TO PROMOTE THE ESTABLISHMENT OF THE "NEW ECONOMIC ORDER."

5. ROMANIA'S BALANCE OF PAYMENTS DEFICIT WITH THE CONVERTIBLE AREA INCREASED BY \$200 MILLION IN 1974, SAID CEAUSESCU, ALTHOUGH PREVIOUS DEFICITS HAVE NOT BEEN PUBLISHED. BLAME FOR THE DEFICIT WAS LAID TO A RISE IN IMPORTED RAW MATERIALS PRICES AND A CONSEQUENT WORSENING OF ROMANIA'S TERMS OF TRADE, BUT HE DID NOT MENTION THE DECLINE IN ROMANIA'S AGRICULTURAL PRODUCTION AND RESULTING DROP IN EXPORTS. ROMANIA ENJOYED A SURPLUS OF \$200 MILLION WITH THE SOCIALIST COUNTRIES IN 1974.

6. TRADE WITH THE US WAS DESCRIBED AS "STILL SMALL" IN COMPARISON TO POTENTIAL. ROMANIAN EXPORT SHOULD BE INCREASED, AND "GENERAL PROBLEMS" MUST BE SOLVED, MFN GRANTED, AND "APPROPRIATE MUTUALLY ADVANTAGEOUS UNDERSTANDINGS" REACHED TO CREATE A "MORE PROPITIOUS CONTEXT" FOR THE EXPANSION OF ECONOMIC RELATIONS.

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7. FTO OFFICIALS WERE PUT ON NOTICE TO INCLUDE EVEN MORE DETAILED QUALITY AND DELIVERY GUARANTEES INTO THEIR IMPORT CONTRACTS. IF FOLLOWED, AND IT MOST LIKELY WILL BE, THIS ADVICE WILL MAKE ALREADY-GRUELING CONTRACT NEGOTIATIONS IN BUCHAREST EVEN MORE DEMANDING.

8. COMMENT: AT THE 1971 CONFERENCE, CEAUSESCU'S PRINCIPAL CRITICISM OF THE FOREIGN TRADE APPARATUS WAS FOR ITS OVER-CENTRALIZATION. THE PENDULUM NOW SEEMS TO BE ON THE RETURN SWING, WITH THIS YEAR'S CONFERENCE TAKING PLACE JUST AFTER ROMANIA'S FTOS HAVE BEEN REDUCED BY ONE-FOURTH, WITH A FEW RETURNING TO THE CONTROL OF THE MINISTRY OF FOREIGN TRADE (SEE REFTEL B). EXTERNAL ECONOMIC POLICY SEEMS TO HAVE HELD STEADY, AND TRADE STATISTICS ATTEST TO ROMANIA'S SUCCESS IN ATTAINING A MORE BALANCED MIX OF TRADE PARTNERS. (WE WOULD EXPECT THE PRESENT PROPORTIONS ROUGHTLY 50-50 BETWEEN EAST AND WEST, TO REMAIN RELATIVELY CONSTANT FOR THE TIME BEING, UNLESS PRESENT ECONOMIC CRISIS WORSENS SO AS TO DRASTICALLY SHRINK WESTERN MARKET FOR ROMANIAN EXPORTS). AND TO ALL APPEARANCES, CEAUSESCU IS ALSO HOLDING FIRM IN HIS

APPROACH TO CEMA. HIS REJECTION OF CEMA SUPRA-NATIONALITY WAS
QUITE EXPLICIT. WHILE THE USSR HOLDS SOME IMPORTANT CARDS (SUB-
STANTIAL EXPORTS TO ROMANIA OF IRON ORE AND COKE, FOR EXAMPLE), THE
TRUMP CARD--OIL--HAS BEEN OUT OF PLAY. AS CEAUSESCU TOOK PAINS TO
EMPHASIZE, EVERY DROP OF THE 6 MILLION TONS OF CRUDE ROMANIA
IMPORTED IN 1974 WAS PAID FOR AT WORLD PRICES. BUT ROMANIA'S
INTREPID PUBLIC STANCE NOTWITHSTANDING, SOME DEGREE OF DISCREET
ACCOMMODATION REMAINS POSSIBLE IF THE PRESSURE OR POTENTIAL BENEFITS
BECOME HIGH ENOUGH.
BARNES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, MEETINGS, AMBASSADORS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUCHAR00665
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D750058-0170
From: BUCHAREST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750287/baaaauur.tel
Line Count: 175
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 04 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 APR 2003 by BoyleJA>; APPROVED <07 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: EEWT, ECON, PFOR, RO, COMECON
To: STATE
IMOO RUEHDC USDOC
BELGRADE
BERLIN
BUDAPEST
MOSCOW

PRAGUE
SOFIA
WARSAW
MUNICH

Type: TE

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006